



BRENCE CULP
Acting Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
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"To Enrich Lives Through Effective And Caring Service"

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December 09, 2014

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

17 December 9, 2014


PATRICK OZAWA
ACTING EXECUTIVE OFFICER

MEDICARE PART B PREMIUM REIMBURSEMENT PROGRAM FOR 2015 ALL DISTRICTS (3 VOTES)

SUBJECT

Recommendation to approve renewal of the Medicare Part B Reimbursement Program which provides for reimbursement of Medicare Part B premium costs up to the standard rate for retirees enrolled in a Los Angeles County Employees Retirement Association (LACERA)-administered Medicare Plan in 2015.

IT IS RECOMMENDED THAT THE BOARD:

1) Renew the Medicare Part B Premium Reimbursement Program for the 2015 calendar year for retirees enrolled in a LACERA-administered Medicare Risk HMO or Medicare Supplement Plan; 2) Instruct the Acting Chief Executive Officer to report back to the Board prior to January 1, 2016, with recommendations regarding the Medicare Part B reimbursement policy for the 2016 calendar year; and 3) Reaffirm the Board's right to change or terminate the Medicare Part B Premium Reimbursement Program at any time if it ceases to be cost effective.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Since 1992, the County has sponsored retiree health insurance plans designed to encourage retirees to fully participate in the federal Medicare program. As part of this effort, the County established the Medicare Part B Premium Reimbursement Program to reimburse qualified retirees for the cost of their Medicare Part B premiums. This reimbursement amount is limited to the standard premium rate which is subject to annual adjustment.

Medicare Part B covers certain doctors' services, outpatient care, medical supplies, and preventive services for retirees who are at least 65 years old. To receive the Medicare Part B reimbursement, retirees must meet all the following eligibility criteria: 1) Current enrollment in both Medicare Parts A and B; 2) Current enrollment in one of the LACERA-administered Risk HMOs (Kaiser Senior Advantage, Senior Care Action Network (SCAN), or UnitedHealthcare) or a Medicare Supplement Plan (Anthem Blue Cross Plan III); 3) Currently paying for Medicare Part B premium themselves; and 4) Not being reimbursed for the Medicare Part B premium by another agency.

By prior Board direction, reimbursing retirees for the cost of Medicare Part B requires an annual determination that the program remains cost effective. In other words, the savings that result from the reduction in Medicare Part B premiums must be greater than the cost of reimbursing those who participate in the Medicare Part B Reimbursement Program. The purpose of the recommended action is to affirm that such determination has been made and to obtain the Board's authorization to continue the program through the 2015 calendar year.

Medicare Risk HMO and Medicare Supplement Plan Overview

The County pays a subsidy toward the cost of retiree health insurance only if the retiree has at least 10 years of service. The amount of the subsidy for eligible retirees is based upon the retiree's length of active County service. A retiree with the minimum ten years of service receives a subsidy equal to 40 percent of premium costs or 40 percent of the benchmark plan rate, whichever is less. Beyond the 10 years, the subsidy increases 4 percent for each additional year of service. Therefore, a retiree with 25 years of active County service receives a subsidy equal to 100 percent of the benchmark premium costs.

The benchmark rate is equal to the rates negotiated for the Anthem Blue Cross I and Blue Cross II plans (rates for these plans are the same). Under no circumstances may the subsidy exceed these benchmark premium rates. Within these limitations, the subsidy is applied toward the cost of coverage for the retiree and any eligible dependents. If the premium of the health care plan selected by the retiree is greater than this benchmark rate, the retiree must pay the difference even if he has 25 years of service credit.

Since the inception of the Medicare Part B reimbursement program in 1992, the County has reimbursed the full cost of the standard Medicare Part B premium for any retiree enrolled in a Medicare Risk HMO and the Medicare Supplement Plan. As noted in the previous section, LACERA currently administers three Medicare Risk HMOs and one Medicare Supplement Plan. There are an estimated 28,900 retirees and their dependents enrolled in these plans.

The Medicare Risk HMOs and the Medicare Supplement Plan require the eligible retirees to be enrolled in Medicare Parts A and B. Part A covers hospitalization costs and Part B covers physician services and other ancillary items such as laboratory testing and durable medical equipment. Part A coverage is earned by working the required Social Security quarters and Part B must be purchased by eligible participants.

Under a Medicare Risk HMO, participants assign over all rights to Medicare Parts A and B to the HMO and agree to receive all medical care from the HMO. Furthermore, participants agree to waive any right to use Medicare benefits outside the HMO. In exchange, Medicare agrees to pay the HMO a monthly "capitation" fee on behalf of the participant which defrays much of the cost of the HMO coverage. The reduction in cost is passed on to the retirees and to the County in the form of lower premiums and lower County subsidies.

A Medicare Supplement Plan is an indemnity plan that complements Medicare benefits. Medicare becomes the primary payer and pays first on each claim. A Medicare Supplement Plan picks up where Medicare leaves off within the limitations set forth by Medicare.

2015 Premium Rates for Medicare Part B

As part of the Medicare Modernization Act effective January 2007, Medicare Part B premiums are income or means tested. Means testing imposes higher Part B premiums on a graduated basis beginning with retirement incomes over \$85,000 per annum. Therefore, these individuals must pay the higher Part B standard premium rate plus the means tested amount taking effect on January 1, 2015.

For both 2013 and 2014, the standard premium rate (i.e., the minimum that all participants pay) was \$104.90 per month. For 2015, the premium rates for each income bracket will remain the same (Attachment A).

Under the County's current Part B reimbursement policy, only the standard Part B premiums are reimbursed. We are recommending no change in that policy. Therefore, for the 2015 plan year, only the standard premium amount of the Part B monthly premium (\$104.90) will be covered by the County.

Implementation of Strategic Plan Goals

The recommended action supports the Countywide Strategic Plan Goal of Operational Effectiveness/Fiscal Sustainability. The County's program to subsidize the standard Medicare Part B premium provides an incentive for retirees to participate in less costly LACERA-administered Medicare plans. As such, it reduces the overall retiree health care plan costs for the County.

FISCAL IMPACT/FINANCING

The recommended action would result in additional Medicare Part B reimbursement costs of approximately \$2.1 million per year over the 2014 program year (\$47.5 million total cost per annum all funds). However, the potential cost of not approving the recommendation could be far greater.

Without the program, a majority of the current program participants would likely transfer into the more expensive LACERA plans. Of the estimated 28,900 eligible participants currently in the program, approximately 12,600 retirees (18,300 total eligible participants) are receiving a 100 percent County retiree healthcare subsidy because they have 25 or more years of County service. These individuals can enroll in any LACERA health plan and have the full premium paid by the County up to the current benchmark plan limits (Anthem Blue Cross I and II rates). As such, there would be no obligation for these persons to purchase Part B coverage.

The County and LACERA independently contracted with the actuarial consulting firms of Cheiron and Aon Hewitt, respectively, to review this program including the potential impact of discontinuing the program (Attachments B and C). Cheiron concluded that without the program, the increase in retiree healthcare costs to the County would be approximately \$56 million per annum. Likewise, Aon Hewitt concurred that the overall County cost for retiree healthcare would be dramatically higher in the absence of the Part B reimbursement program. For these reasons, we recommend renewal of the program to better ensure that the cost savings can be realized.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The recommended continuance of the Medicare Part B reimbursement would take effect on January 1, 2015, and will be initially reflected in LACERA retiree warrants issued December 31, 2014. The amount reimbursed will include any late enrollment penalties paid by retirees who enrolled during the special open enrollment period prior to May 1993.

The Acting Chief Executive Officer will report back prior to January 1, 2016, with additional recommendations relating to Part B reimbursement policy for the 2016 calendar year.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

No impact on current services.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Brence Culp", written in a cursive style.

BRENCE CULP

Acting Chief Executive Officer

BC:JA:MTK
VMH:mst

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Los Angeles County Employees Retirement
Association

ATTACHMENT A**MEDICARE PART B PREMIUM COSTS FOR 2015**

Yearly Income for 2013		2015 Rates <i>(unchanged from 2014)</i>
Filing Individually	Filing Jointly	
\$85,000 or less	\$170,000 or less	\$104.90 <i>(standard rate)</i>
Above \$85,000 up to \$107,000	Above \$170,000 to \$214,000	\$146.90
Above \$107,000 up to \$160,000	Above \$214,000 to \$320,000	\$209.80
Above \$160,000 up to \$214,000	Above \$320,000 to \$428,000	\$272.70
Above \$214,000	Above \$428,000	\$335.70

Note: Premium rates are based upon annual income from the two years prior to the plan year.



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ATTACHMENT B

Via Electronic Mail Only

November 13, 2014

Ms. Valerie Hara
County of Los Angeles
Chief Administrative Office
784 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Re: Projected Impact of Suspending the 2015 Part B Reimbursement for Retirees

Dear Val:

We have completed our analysis of the projected impact to the County of Los Angeles (the County) if it elected to suspend the current practice of reimbursing the retiree and any covered dependents for the Medicare Part B premium as of January 1, 2015. The current practice is intended to encourage retirees to participate in either the Anthem Blue Cross III Medicare Supplement plan, or in one of the Medicare Advantage HMO plans offered to the current retirees. The intent of this analysis is to determine whether it is in the County's financial interest to continue the current practice.

Under the current practice, the County reimburses the basic Part B premium rate, which is \$104.90 for 2015 and is unchanged from the 2014 premium, and any penalty that a retiree must pay due to late enrollment in the Part B program. The County does not reimburse the retirees for any additional means tested premiums for high-income participants that became effective in 2007.

Under the current retiree medical program, a retiree must have retired with at least 10 years of service. Those with less than 10 years of service receive no County contribution towards retiree medical coverage but are eligible for the Part B reimbursement. For those with 10 or more years of service, the County contributes 4% per year of service up to a maximum of 100% for a member with 25 years or more of service to the lesser of the cost of the plan the retiree elects, or the cost of the Anthem Blue Cross Plans I and II.

Our analysis focuses on just those retirees who currently are eligible for Medicare, are receiving a reimbursement for their Medicare Part B premiums, and are enrolled in a Medicare Advantage HMO, or the Anthem Blue Cross III plan. Based on the data provided by the County and LACERA, there were 28,715 retirees in this category as of October 31, 2014. Of these, 10,558 had less than 25 years of service and were making some level of contribution towards their retiree coverage.

The current Medicare plans have much lower premiums than the Anthem Blue Cross I and II plans; for a number of the 10,558 retirees with less than 25 years of service, the total cost of the current premium for the Medicare plan they have chosen plus the Medicare Part B premium cost is less than what they would have to pay if they elected the Anthem Blue Cross I or II plan.



As an example, a retiree with 15 years of service and currently participating in the Anthem Blue Cross Plan III is paying \$148.36 per month for coverage. If that individual was participating in the Anthem Blue Cross Plan I or II, the retiree would be paying \$367.38 per month for coverage. If the County stopped reimbursing the \$104.90 Medicare Part B premium, the total cost of the Part B premium and the Anthem Blue Cross Plan III premium of \$253.26 is \$114.12 less per month than the cost under Anthem Blue Cross I or II. The retiree would save almost \$1,400 per year by paying the Part B premium and remaining in his current plan.

Using this logic, we develop three different Alternatives that show the range of possible outcomes if the County elected to suspend the current policy:

- Alternative 1 – If the total cost to the retiree of the current Medicare plan plus the cost of the Part B premium is less than the cost of the applicable non-Medicare plan, the retiree remains in his current Medicare plan. If the cost is greater than the applicable non-Medicare plan then the retiree elects the applicable non-Medicare plan.
- Alternative 2 – All retirees remain in their current plan and elect to pay the additional Part B premium.
- Alternative 3 – If the total cost to the retiree of the current Medicare plan plus the cost of the Part B premium is less than the cost of the applicable non-Medicare plan, the retiree remains in his current Medicare plan. If the cost is greater than the applicable non-Medicare plan then 50% of the retirees elect the applicable non-Medicare plan and 50% remain in their current plans.

For purposes of this analysis, the applicable non-Medicare plans are:

- For Anthem Blue Cross III and SCAN plans, it is the Anthem Blue Cross II plan
- For the Kaiser plan, it is the Kaiser Excess I plan
- For the United Healthcare plan, it is the non-Medicare United Healthcare HMO plan
- For the CIGNA plan, it is the non-Medicare CIGNA HMO plan

Based on these assumptions, Exhibit I shows that the cost impact to the County ranges from a cost savings of \$47 million under Alternative 2 to an increased cost of \$159 million under Alternative 2 for 2015. Alternative 3 produces an additional cost to the County of \$56 million. We believe that Alternative 3 is the likely outcome if the County elected to suspend the policy of reimbursing the Part B premiums so it is in the interest of the County to continue the current policy as it is saving the County in excess of \$56 million.

This analysis was prepared for the sole purpose of reviewing the cost impact of the County ceasing its reimbursement of the Medicare Part B premium for retirees and is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party. In preparing this letter, we relied, on information (some oral and some written) supplied by the County of Los Angeles. This information includes, but is not limited to, the plan provisions, retiree data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Ms. Valerie Hara
November 13, 2014
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To the best of my knowledge, this letter and its contents, which are work products of Cheiron, Inc., are complete and have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct, and applicable Actuarial Standards of Practice (ASOP) set out by the Actuarial Standards Board. Furthermore, as a credentialed actuary, I meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter. This letter does not address any contractual or legal issues. I am not an attorney and our firm does not provide any legal services or advice.

Please let us know if you have any questions or would like to discuss this further. You can reach me at (703) 893-1456, extension 1135 or at mschionning@cheiron.us.

Sincerely,
Cheiron



Michael Schionning, FSA, MAAA
Principal Consulting Actuary

cc: Graham Schmidt, Cheiron

Exhibit I
County of Los Angeles
Projected Cost Impact of Suspending the Part B Reimbursements
County Costs Only - Excludes Retiree Contributions
Medicare Eligible Participants Only
Calendar Year 2015

	<u>Current</u>	<u>Alternative 1</u>	<u>Alternative 2</u>	<u>Alternative 3</u>
Anthem Blue				
Cross	\$68,282,000	\$107,568,000	\$51,029,000	\$79,299,000
CIGNA	\$240,000	\$455,000	\$172,000	\$314,000
Kaiser	\$76,055,000	\$182,919,000	\$50,824,000	\$116,872,000
SCAN	\$1,920,000	\$3,031,000	\$1,308,000	\$2,169,000
United Healthcare	\$13,315,000	\$24,794,000	\$9,498,000	\$17,146,000
Total	\$159,812,000	\$318,767,000	\$112,831,000	\$215,800,000
Cost/(Savings)		\$158,955,000	(\$46,981,000)	\$55,988,000

Notes:

- 1) Current premium costs include the Medicare Part B premium reimbursement.
- 2) Alternative 1 is based on the assumption that all current retirees elect a non-Medicare plan.
- 3) Alternative 2 is based on the assumption that all current retirees stay in the Medicare plan.
- 4) Alternative 3 is based on the assumption that current retirees for whom the retiree cost for the current Medicare Plan is less than the cost of the non-Medicare plan remain in their current Medicare plan and for all other retirees 50% elect to remain in the Medicare plan and 50% move to the non-Medicare plan.



October 20, 2014

Cassandra Smith
Director Health Care Benefits Program
LACERA
300 N. Lake Avenue, Suite 300
Pasadena, CA 91101

Subject: Medicare Part B Premium Reimbursement Analysis

Dear Cassandra:

This letter confirms the financial advantage to the County of Los Angeles to continue its practice of reimbursing Medicare Part B premiums for retirees and dependents enrolled in Medicare Advantage Prescription Drug Plans (MAPD) and the Medicare Supplement Plan (Anthem Plan III). This analysis is for the plan year commencing July 1, 2014.

As in the past, because LACERA has a number of health plan options, we have included four "migration scenarios." Each scenario is based upon a different set of migration assumptions of where the retirees might enroll if the County ceased to offer MAPD plans and ceased to subsidize Medicare Part B premiums for enrollees who participate in those plans. In all scenarios, we assumed no differences in utilization. Of course, LACERA could continue to offer MAPD plans without the Part B premium subsidy, but our expectation would be that enrollment declines in those plans due to elimination of the Part B reimbursement incentive would at some point offset any savings the County might expect from eliminating the subsidy.

Under all analyses and scenarios and based upon the underlying assumptions, Aon Hewitt's analysis indicates it is in the County's financial best interest to continue offering Medicare Advantage Prescription Drug Plans and subsidizing Part B premiums for enrollees in those plans.

Background of the Medicare Part B Premium

Current retirees who enrolled in Part B are paying Social Security Administration (SSA) Medicare Part B premium of \$104.90 per month in 2014. The Medicare Part B premium beginning on January 1, 2015 remains at the 2014 rate of \$104.90.



Currently, the County covers Part B premiums (and Medicare late enrollment penalties ¹) for retiree and dependent participants in the Medicare Advantage Prescription Drug plan and Medicare Supplement plan to encourage enrollment in these more cost-effective plans. There are approximately 29,853 retirees in such plans. According to LACERA's Medicare Part B Reimbursement and Penalty Report provided to Aon Hewitt for the pay period 9/30/2014, the average amount paid for retirees and dependents, including penalties, is \$136.85 per retiree per month.

Income-Related Medicare Part B Premium

As part of the Medicare Modernization Act, effective January 2007, Medicare Part B premiums are income tested. Currently, the Medicare Part B premium is set at 50% of the monthly actuarial rate (MAR). The MAR represents 50% of the cost for Part B expenditures. Effective January 2007, individuals over a certain income level are paying a minimum of twice the targeted premium. Our model assumes that the County will not reimburse the means-tested amounts of the Part B premiums. In other words, it assumes that the County will pay only for the standard Medicare Part B premium amount and the late penalties for those who enrolled when the reimbursement plan was first introduced.

Projection Methodology

In this projection, the savings are determined by comparing LACERA's current total plan cost (medical, dental/vision and Part B premium/penalties) with the projected total cost assuming there were no Medicare Advantage Plan offerings. The projected costs are based on the migration of MAPD participants into non-MAPD plans and the discontinuance of Plan B reimbursement by the County in some scenarios. The County's contributions are based upon years of service. For 2014 plan year, Aon Hewitt estimates that the County is contributing 91.9% of the total plan costs. This represents the County's share of the total premium and Medicare Part B Reimbursement plus penalties. This methodology is consistent with the projections prepared last year by Aon Hewitt. Following is a description of each scenario along with the financial results.

¹ The late enrollment penalty amount is paid only to those who enrolled into one of the LACERA-administered Medicare Advantage/Medicare Supplement plans prior to May 1, 1993 when the reimbursement plan was first introduced.



Projection A - Migration Assumptions

This projection assumes the following:

- All Medicare Advantage Prescription Drug Plan participants move from their current MAPD plan into the corresponding HMO's non- MAPD plan
- Kaiser Senior Advantage participants migrate to the Kaiser Excess plan
- SCAN and Anthem Blue Cross Plan III (Medicare Supplement) participants migrate to Plan II.
- County will stop paying the Part B premium for all members.

Under this scenario LACERA's premium would increase approximately by **\$215.1 M from current plan costs.**

Projection B - Migration Assumptions

Migration B scenario assumes:

- All Medicare Advantage Prescription Drug Plan participants migrate from their current MAPD plans to Plan II,
- Plan III enrollment remains unchanged and
- County will continue to pay Part B premium for Plan III participants.

Under this scenario, LACERA's premium would increase by approximately **\$158.4 M** from the current plan costs.

Projection C - Migration Assumptions

This projection assumes:

- Medicare Advantage Prescription Drug Plan participant migration is split 50/50 between Plans II and III
- Current Plan III enrollment remains in Plan III
- County will continue to pay Part B premium for Plan III participants.

Under this scenario, LACERA's premium would increase by approximately **\$77.9 M from current plan costs.**



Projection D - Migration Assumptions

This scenario assumes:

- Medicare Advantage Prescription Drug Plan and Plan III participants migrate to Plan II
- County will stop paying Part B premium for all members.

Under this scenario, LACERA's premium would increase by approximately **\$234.4 M from current plan costs.**

Summary of Findings

Based upon our analysis described above and its underlying assumptions, we conclude the current program, where the County is subsidizing Medicare Part B premiums for retirees and dependents enrolled in the Medicare Advantage Prescription Drug plans and Medicare Supplement Plan (Anthem Blue Cross Plan III) is financially beneficial to the County, and represents significant savings compared with the four scenarios in this analysis.

Please refer to the attachment for back-up calculations and documentation.

Sincerely,

Kirby Bosley
Southern California H&B Practice Leader

Helen Batsalkin
AVP Consulting

cc: Michael Muheisen, Aon H&B Vice President
Laura Peck, Aon Vice President, FSA, MAAA

LACERA
Medicare Advantage Savings Projections
Exhibit A

July 1, 2014 through June 30, 2015

Current Plan Cost (w/Part B Subsidy)								
County Share	\$ 472,226,450	91.9%	\$ 472,226,450	91.9%	\$ 472,226,450	91.9%	\$ 472,226,450	91.9%
Member Share	\$ 41,699,317	8.1%	\$ 41,699,317	8.1%	\$ 41,699,317	8.1%	\$ 41,699,317	8.1%
Total	\$ 513,925,766	100%	\$ 513,925,766	100%	\$ 513,925,766	100%	\$ 513,925,766	100%
Assumed Plan Cost (w/Migration and Benefit Options)								
	Migration A	Percent	Migration B	Percent	Migration C	Percent	Migration D	Percent
*County Share	\$ 664,654,981	91.2%	\$ 612,943,095	91.2%	\$ 539,583,933	91.2%	\$ 682,232,527	91.2%
Member Share	\$ 64,366,099	8.8%	\$ 59,358,249	8.8%	\$ 52,254,047	8.8%	\$ 66,068,333	8.8%
Total	\$ 729,021,080	100%	\$ 672,301,345	100%	\$ 591,837,980	100%	\$ 748,300,860	100%
Annual Cost Differential								
County Share	\$ 192,428,532		\$ 140,716,646		\$ 67,357,483		\$ 210,006,078	
Member Share	\$ 22,666,783		\$ 17,658,933		\$ 10,554,731		\$ 24,369,016	
Total	\$ 215,095,314		\$ 158,375,578		\$ 77,912,214		\$ 234,375,094	
Percentage Difference								
County Share	40.75%		29.80%		14.26%		44.47%	
Member Share	54.36%		42.35%		25.31%		58.44%	
Total	41.85%		30.82%		15.16%		45.60%	

*County Share in this calculation does not include Medicare Part B Subsidy

Notes:

Medicare Part B Premiums:

Assumes all current members Part B reimbursement is 104.90 for 2014

Migration A:

UHC and Cigna Medicare Advantage members move to UHC and Cigna non-Medicare Advantage Plan
Kaiser Senior Advantage members move to the Kaiser Excess Plan
Anthem Plan III and SCAN members move to Anthem Plan II
County stops paying Medicare Part B premium for all members

Migration B:

UHC, Cigna, Kaiser and SCAN Medicare Advantage members move to Anthem Plan II
Anthem Plan III members stay in Anthem Plan III
County continues to pay Medicare Part B premium for Plan III members

Migration C:

UHC, Cigna, Kaiser and SCAN members move to Anthem Plans II and III (50%50%)
Anthem Plan III members stay in Anthem Plan III
County continues to pay Medicare Part B premium for Anthem Plan III members

Migration D:

UHC, Cigna, Kaiser, SCAN, and Anthem Plan III members move to Anthem Plan II
County stops paying Medicare Part B premium for all members

LACERA
Medicare Part B Subsidy Projections 2014/2015
Exhibit B

Carriers	MA Lives	MA Premium	Per Retiree	Non MA Lives	Non MA Prem	Per Retiree		Combined Lives	Combined Premium
United HealthCare	2,331	\$ 1,192,741.96	\$ 511.69	903	\$ 1,236,356.86	\$ 1,369.17		3,234	\$ 2,429,099
								-	
Cigna	42	\$ 28,051.53	\$ 667.89	719	\$ 1,152,128.43	\$ 1,602.40		761	\$ 1,180,180
								-	\$ -
Kaiser (Excess shown in Non MA column)	15,478	\$ 6,805,528.17	\$ 439.69	1937	\$ 2,332,401.68	\$ 1,204.13		17,415	\$ 9,137,930
Other Kaiser (basic & supplement)				4086	\$ 4,922,507.48	\$ 1,204.73		4,086	\$ 4,922,507
								-	\$ -
SCAN	379	\$ 139,773.80	\$ 368.80	0	0	0		379	\$ 139,774
								-	\$ -
Anthem Plan III	0		0	10,577	\$ 6,145,134.37	\$ 580.99		10,577	\$ 6,145,134
								-	\$ -
Anthem Plan II	0	0	0	4,642	\$ 6,111,757.99	\$ 1,316.62		4,642	\$ 6,111,758
								-	\$ -
Anthem Plan I	0	0	0	1,592	\$ 1,812,742.91	\$ 1,138.66		1,592	\$ 1,812,743
								-	\$ -
Anthem Prudent Buyer	0	0	0	1,496	\$ 1,395,498.84	\$ 932.82		1,496	\$ 1,395,499
Local 1014 Firefighters	0	0		1,631	\$ 2,207,362.45	\$ 1,353.38		1,631	\$ 2,207,362
								45,813	\$ 35,481,986
Totals	18,230	\$ 8,166,095.46		27,583	\$ 27,315,891.00			45,813	\$ 35,481,986
Annual Premium									\$ 425,783,837.52
Medicare Part B Reimbursement + Penalties for 2014/15									\$ 49,025,208
Dental / Vision									\$ 39,116,721
Total Annual Premium								Current Scenario	\$ 513,925,766.16

<u>Migration A</u>	<u>Monthly</u>	Annual Premium	Contributions
UHC & Cigna MA memb move to UHC& Cigna non MA	\$ 3,258,826.81		
Kaiser MA memb move to Kaiser Excess Plan	\$ 18,637,539.05		\$ 664,654,981 County 91.17%
Plan III and SCAN move to plan II	\$ 14,424,907.48		\$ 64,366,099 Members 8.83%
County stops paying part B premium for all members			\$ 729,021,080
Remaining Premium for the rest of population	\$ 21,170,756.63		
Outcome	\$ 57,492,029.97	\$ 689,904,359.68	
Dental / Vision	\$ 3,259,726.72		
Combined Premium	\$ 60,751,756.69	\$ 729,021,080.32	

<u>Migration B</u>			
UHC, Cigna, Kaiser, and SCAN members move to Plan II	\$ 24,002,013.82		\$ 612,943,095.25 County 91.17%
Plan III members stay in Plan III	\$ 6,145,134.37		\$ 59,358,249 Members 8.83%
County continues to pay Part B premium for Plan III members	\$ 1,447,480.50		\$ 672,301,344.52
Remaining Premium for the rest of population	\$ 21,170,756.63		
Outcome	\$ 52,765,385.32	\$ 633,184,623.88	
Dental / Vision	\$ 3,259,726.72		
UHC, Cigna, Kaiser and SCAN members move to Anthem Plans II and III (50%50%)	\$ 56,025,112.04	\$ 672,301,344.52	

<u>Migration C</u>			
UHC, Cigna, Kaiser, and SCAN members move to Plans II & III	\$ 17,296,733.47		\$ 539,583,932.81 County 91.17%
Plan III members stay in Plan III	\$ 6,145,134.37		\$ 52,254,047 Members 8.83%
County continues to pay part B prem. for Plan III members	\$ 1,447,480.50		\$ 591,837,980.27
Remaining Premium for the rest of population	\$ 21,170,756.63		
Outcome	\$ 46,060,104.97	\$ 552,721,259.63	
Dental / Vision	\$ 3,259,726.72		
Combined Premium	\$ 49,319,831.69	\$ 591,837,980.27	

<u>Migration D</u>			
UHC, Cigna, Kaiser, SCAN, and Plan III memb. move to Plan II	\$ 37,927,921.68		\$ 682,232,527.48 County 91.17%
County stops paying Part B for all members			\$ 66,068,333 Members 8.83%
Remaining Premium for the rest of population	\$ 21,170,756.63		\$ 748,300,860.31
Outcome	\$ 59,098,678.31	\$ 709,184,139.67	
Dental / Vision	\$ 3,259,726.72		
Combined Premium	\$ 62,358,405.03	\$ 748,300,860.31	

LACERA
MEDICARE PART B SUBSIDY CALCULATION
Exhibit C

2014 Subsidy Calculation		
Part B Lives as of Sept 2014 (1)		29,853
Part B Premium (1)	\$	4,083,933
Penalty (1)	\$	1,501
Subsidy & Penalties (1)	\$	4,085,434
Per Retiree Per Month	\$	136.85
Annual Part B Premium & Penalty	\$	49,025,208

<u>All Plans (Medical/Dental/Vision/Local 1014)</u>		
Premium Amount (2)	\$	39,356,191
County Share (2)	\$	35,265,182
Medicare B prem. and penalties (1)	\$	4,085,434
Total County Amount (2)	\$	39,350,616
Member Amount (2)	\$	3,474,803
Total (members + County)	\$	42,825,418
Total County Share 2014		91.89%
Total Member Share 2014		8.11%

2014/2015 Projection		
2014 Medicare B Premium	\$	104.90
2015 Medicare B Premium	\$	104.90

<u>2014 Estimated Members Calculation</u>		
Medicare Part B Prem for ret w/o dependents	\$	3,131,580
Member to Subscriber Ratio		1.3041
Estimated Members		38,932

<u>Subsidy Projections 2014 /2015</u>			
	<u>2014</u>		<u>2015</u>
Estimated Members	38,932		38,932
Medicare B Premium	\$ 104.90	\$	104.90
Monthly Premium	\$ 4,083,933	\$	4,083,933
Monthly Penalty	\$ 1,501	\$	1,501
Annual 2014/15 Medicare Premium		\$	49,025,208
(includes penalty)			
Per Retiree per month		\$	136.85

- 1- Per Medicare Part B Reimbursement and Penalty Report provided by LACERA for pay period as of 9/30/2014
2- Per Medical and Dental Vision Insurance Premiums Report of October 2014 provided by LACERA (pay period 9/30/2014)